OFFICE OF THE

Auditor General of British Columbia

Service Plan

2004/05–2006/07

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of British Columbia

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The Honourable Claude Richmond
Speaker of the Legislative Assembly
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
V8V 1X4

Dear Sir:

I have the honour to transmit herewith to the Legislative Assembly of British Columbia my Service Plan, 2004/05–2006/07.

Wayne Strelioff

Wayne Strelioff, FCA
Auditor General

Victoria, British Columbia
February 2004

copy: Mr. E. George MacMinn, Q.C.
Clerk of the Legislative Assembly

104-03171/

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Message from the Auditor General

"Now is the time to strengthen the independent scrutiny of the performance of government."

I am pleased to table my Service Plan for 2004/05 to 2006/07. The plan sets out our work program for the next three years, outlines our intended use of available resources to carry out that work, and gives a basis for assessing our performance, focusing on the first year, 2004/05.

More than ever before, the public today demands real government accountability. My Office plays an important role in answering this demand by providing independent assessments and advice on the provincial government's accountability and performance.

Several changes have also recently given legislators a better means to scrutinize the performance of government. For instance, the oversight role of legislative committees is now stronger. The Select Standing Committee on Crown Corporations, as an example, is empowered to regularly review the service plans and annual reports of Crown corporations. I believe an active system of standing committees such as this is a valuable means of increasing public sector scrutiny and of earning public trust and confidence in our institutions of government.

The Budget Transparency and Accountability Act has done much to enhance accountability as well. It requires government to set out clearly in its Service Plans what it wants to achieve and to report fully what it actually did achieve in its annual service plan reports. These reporting requirements reflect a significant step towards more open and transparent government.

Beginning in the 2004/05 fiscal year, the Act also requires government to prepare its Summary Financial Statements in accordance with the Canadian "generally accepted accounting principles." I applaud this change, but it does have implications for my Office. For the first time, universities, colleges and institutes, school districts and health care organizations will be fully reported in the Summary Financial Statements—a change that will expand our audit universe by about 100 organizations.

Message from the Auditor General

The new Auditor General Act, which was proclaimed in April 2003, has also affected my Office significantly. The Act strengthens our independence and allows for stronger scrutiny of the performance of government. I particularly welcome the new provision that requires me to request funding from a committee of the Legislature rather than from government. As well, the Act now requires me to provide a financial statement audit coverage plan to legislators each year. The plan we produced in 2003 realigns our audit coverage, enabling us to gain greater insight across the entire government entity.

Meanwhile, the provincial government continues to alter what it does and how it delivers its programs. Alternative service delivery, deregulation and shared services are becoming more commonplace. These changes, together with a greater focus on managing for results, have tremendous implications for how government manages and accounts for its performance. Notably, all of this is occurring at the same time as the public service is being restructured and the nature of public revenue raising and spending is being re-examined to meet the legislated requirement to balance the provincial budget by 2004/05. Such conditions make implementation of these new changes all the more challenging.

And with change come both risk and opportunity. As an Office, we consider these extensive changes and their implications in laying out our work program and conducting our examinations.

In preparing this year's Service Plan, we confirmed the continued relevance of our two goals and three main lines of business. Our first goal is to ensure that the legislators and the public receive the best information possible for assessing the performance of government. We work to achieve this goal through our main lines of business: attesting to the reliability of the financial statements of government; assessing the quality of government performance reports; and examining how government manages its key risks. Our second goal is to be an exemplary organization that serves the Legislative Assembly and the public. Meeting this goal requires us to pay constant attention to our processes and our capacity. Maintaining the latter is becoming particularly challenging as a result of recent and upcoming staff retirements and new, more demanding professional standards. We will continue to deal with these challenges through sound human resource management practices and rigorous quality control.

Given the expansion of the contents of government financial statements, the progress being made in performance reporting, and the risks arising from the public sector's rapidly changing environment, I had recommended a modest increase in my Office's funding to enable us to continue providing legislators and the public with adequate assurance that the risks were

being well managed. However, our funding was reduced by 10%—and that on top of the 5% reduction we experienced last year. I have therefore modified my work program to fit the funding provided.

My plan is to focus the risk management portion of our work on new service delivery arrangements, large capital projects, mission-critical information systems, and high-risk areas particularly in the health and education sectors. Some projects I felt important I must defer, limit or eliminate altogether. For example, I no longer intend to examine government's commitment to implement principles of sustainability; I will limit our work in the health and education sectors; I will scale back my examination of the government's approach to public-private partnership arrangements; and I will delay following up on the status of government's implementation of my previous recommendations.

I also wish to point out that the new Auditor General Act allows for a committee of the Legislative Assembly to request my Office to carry out specific examinations. However, the funding we received for 2004/05—and the associated work program we accordingly designed—does not include any provision for accommodating such requests. Should one be received, it could have a major effect on the work we have already planned. Consequently, I will request funding from the Committee making the request.

We will report on our Office's performance against this 2004/05 plan in our annual performance report in June 2005. In that report, we will do our best to incorporate the key performance reporting principles we developed jointly with government and which the Public Accounts Committee recently endorsed. Improving our performance report is, I believe, a critical step in helping us meet our goal to be an exemplary organization in the British Columbia public sector.

Wayne K. Strelioff, FCA
Auditor General

Victoria, British Columbia
February 2004

Vision, Mission and Values

Vision

Making a difference for the people of British Columbia by contributing to accountable and well-performing government.

Mission

To serve the Legislative Assembly and the people of British Columbia by providing independent assessments and advice that enhance government accountability and performance.

Goals

1. Legislators and the public receive the best information possible for assessing the performance of government.
2. We are an exemplary organization that serves the Legislative Assembly and the public.

Values

As we pursue our goals, we are committed to:

Excellence

We strive to meet the highest standards of service, professionalism, integrity and independence. (Our standards of service are described in Appendix A.)

We are committed to being efficient and effective in our operations, and to promoting creativity, innovation and responsible risk-taking in our work.

We seek to maintain a relationship of mutual respect and trust with those we service, and willingly share our experience and expertise.

Our People

We value the unique contribution and talents each individual adds to our Office and community.

We strive to manage on the basis of fairness, equity, honesty, mutual respect, trust and personal dignity. As our success is dependent on our working together, we promote a spirit of cooperation and teamwork throughout our organization.

We are committed to the concept of personal and professional development and support quality-of-life endeavours.

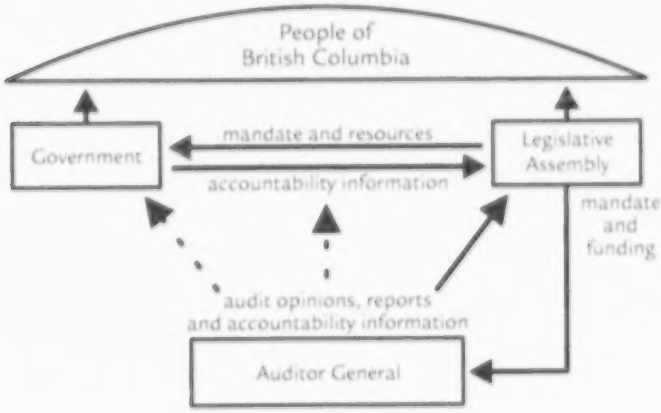
Our Mandate and Role

The Auditor General is an Officer of the Legislature, appointed for a six-year term by the Legislative Assembly. He is non-partisan, objective and independent of the government of the day, reporting his impartial assessments of government accountability and performance to the Legislature as a whole. By doing so, he contributes to improved accountability and performance in the British Columbia public service.

Under the authority of the Auditor General Act, our Office is responsible for auditing all parts of government, including its ministries, Crown corporations and other organizations. Our reports provide assurance to the Legislature and the public on matters relating to past events or practices within the public sector, as well as offer suggestions for improving future public sector performance (Exhibit 1). In exercising this responsibility, we stay attentive to the needs, expectations and priorities of the Legislature and the public. At the same time, we remain responsive to and aware of the needs and expectations of public sector managers so that we can provide sound and practical recommendations for improvement.

Exhibit 1

The Auditor General plays a key role in ensuring public sector accountability



Our Lines of Business

We have three lines of business:

1. Attesting to the reliability of government financial statements—about 50% of our audit resources

As the auditor of all of government, we are required to provide an opinion as to whether the Summary Financial Statements of government are presented fairly, in accordance with Canadian generally accepted accounting principles. The Summary Financial Statements report on the province's financial results against the financial plan, and must therefore be comprehensive, accurate, timely and independently verified to maintain the trust and confidence of all readers.

To carry out this work and meet professional standards, we need to keep in touch with significant issues, maintain our knowledge of government and identify key risk areas. We do this by conducting some audits directly and, in other cases, by overseeing and relying on the work of private sector auditors.

During this coming year, the government's summary financial statements will become much more complex to prepare and audit because they will include the complete financial results of almost 100 additional organizations, including school districts, colleges and institutes, universities and health care organizations. We therefore plan to focus on three priorities over the next three years.

- First, we will examine this new more complex set of government Summary Financial Statements and complete our examination within 90 days after the yearend, to meet government's timetable.
- Second, we will put in place a financial statement audit system throughout the provincial public sector that recognizes and meets the information needs of legislators. This system will include many more organizations, each with its own board of directors and management teams, and most with private sector auditors. (Our detailed Financial Statement Audit Coverage Plan is available at www.bcauditor.com.)
- And third, we will continue to provide timely advice to government on the many accounting and accountability issues that arise as a result of restructuring (e.g., BC Ferry Corporation).

We believe that we should be dedicating about 40% of our audit resources to this line of business. However, since we need to do this work, the recent reduction in our funding results in us allocating

a greater proportion of our approved funding to this line of business, thereby decreasing the resources we could allocate to our other two lines of business. We intend to allocate any future funding increases to our other two lines of business.

2. Assessing the quality of government performance reports—about 10% of our audit resources

Government and legislators in British Columbia are committed to public performance reporting. The Budget Transparency and Accountability Act—one of the few of its kind in Canada—requires government and government organizations to report publicly on their performance, with a focus on results. However, legislation alone does not guarantee meaningful public reporting of intended and actual results. Also required will be the support and commitment of public servants, and the establishment of a results-oriented management culture within government. We strongly support the move to more comprehensive reporting of performance. We will do what we can to encourage government to build on its experience to make good public performance reporting a reality. We will also support legislators in their use of performance information in carrying out their oversight role.

In the next three years, we intend to continue encouraging government to provide meaningful and accurate performance reports that are independently verified. We will do this through a number of different initiatives. We will work with government to develop a program for examining government's performance reports. We will annually report on the quality of government's annual performance reports through our "Building Better Reports" series. We will work with several government organizations that have shown leadership by asking our Office to assess the quality of their performance reports. We will participate in the development of performance reporting standards at a national level and further develop the methodology required to audit performance reports. And we will help expand the capacity of the profession to conduct this work by seeking partnership opportunities with auditors from both the private sector and the internal audit community.

Providing assessments of government annual reports is a relatively new line of business for our Office. We believe as government organizations improve the quality of their performance reports and as legislators and the public increasingly demand assurance on these reports. When this happens, we expect that this line of business will then receive close to 20% of our audit resources.

3. Examining how government manages its key risks—about 40% of our audit resources

Another aspect of our business is providing legislators with assessments of how well government is managing its key risks in delivering programs, services and projects (examinations often referred to as performance, or value-for-money, audits). We also follow up on the extent to which government has acted upon our past recommendations.

During this period of intense change in the way government delivers its programs, legislators and the public will be seeking assurance that government is managing its key risks and delivering its programs as intended. Our Office helps provide this assurance through our examinations.

In selecting topics to examine, we consider risk characteristics, impacts, financial significance, interest to legislators and the public, and auditability. Our focus over the next few years in this line of business will continue to be on the health sector, the regionalization and outsourcing of service delivery, public-private partnerships, large capital projects, complex, mission-critical information systems and the status of the 2010 Olympic games undertaking.

Specifically, in the next year we plan to complete a number of projects, some of which are already in progress. These include:

- government's approach to public-private partnership arrangements;
- the prevention and treatment of diabetes;
- the state of the work environment in the public service and in the health authorities;
- ICBC's investment governance policies and practices;
- the provincial role in sustaining wild salmon and managing aquaculture impacts; and
- government's efforts to manage for results.

We also plan to initiate some projects, which will not be completed until the next fiscal year.

We believe this line of business should continue to account for about 40% of our resource use. It may vary year to year depending on the demand for our other two lines of business, on requests by legislative committees to carry out specific examinations and on the total resources provided by legislators to our Office.

Our Structure

The Auditor General is supported by over 80 staff who plan and conduct audits, oversee the work undertaken by external audit service providers, and prepare reports for tabling by the Auditor General in the Legislative Assembly.

Almost all of our staff are highly trained university graduates with professional qualifications in accounting and auditing, business, information technology, program evaluation, social and environmental sciences, health care and law.

We have organized our operations into five operating sectors and a Corporate Services sector that ensures the Office has strong staff support. Each operating sector focuses on one or more key areas of government operations. (More information on how our Office is structured is provided Appendix B.)

The Funding, Planning and Reporting Cycle

Our funding, planning and reporting cycle is shown in Exhibit 2.

Each year, as a core part of their business, our audit sector teams obtain and process a large amount of information about international, national and local developments and changes in public sector practices. This scan ensures that our work focus adequately reflects shifts in public sector strategies and operations, including changes in the direction of government policy. Our strategic business planning process also provides us with a framework against which we can progressively monitor and measure the achievement of our goals and objectives.

The result of this exercise is confirmation of, or amendment to, our three-year corporate goals, objectives and strategic priorities. Two streams of information flow from this process:

- the development of a revised three-year work plan for each sector; and
- the identification of organizational issues warranting action to achieve improvement.

This information in turn leads to a work program for the coming years.

In November of each year, we submit our Financial Statement Audit Coverage Plan and our funding proposal to the Legislative Assembly. It refers these documents to, respectively, the Select Standing Committee on Public Accounts and the Select Standing Committee on Finance and Government Services. The audit coverage plan outlines a three-year plan for the appointment of auditors for government organizations and trust funds.[1] The funding proposal contains our proposed work program and related costs.

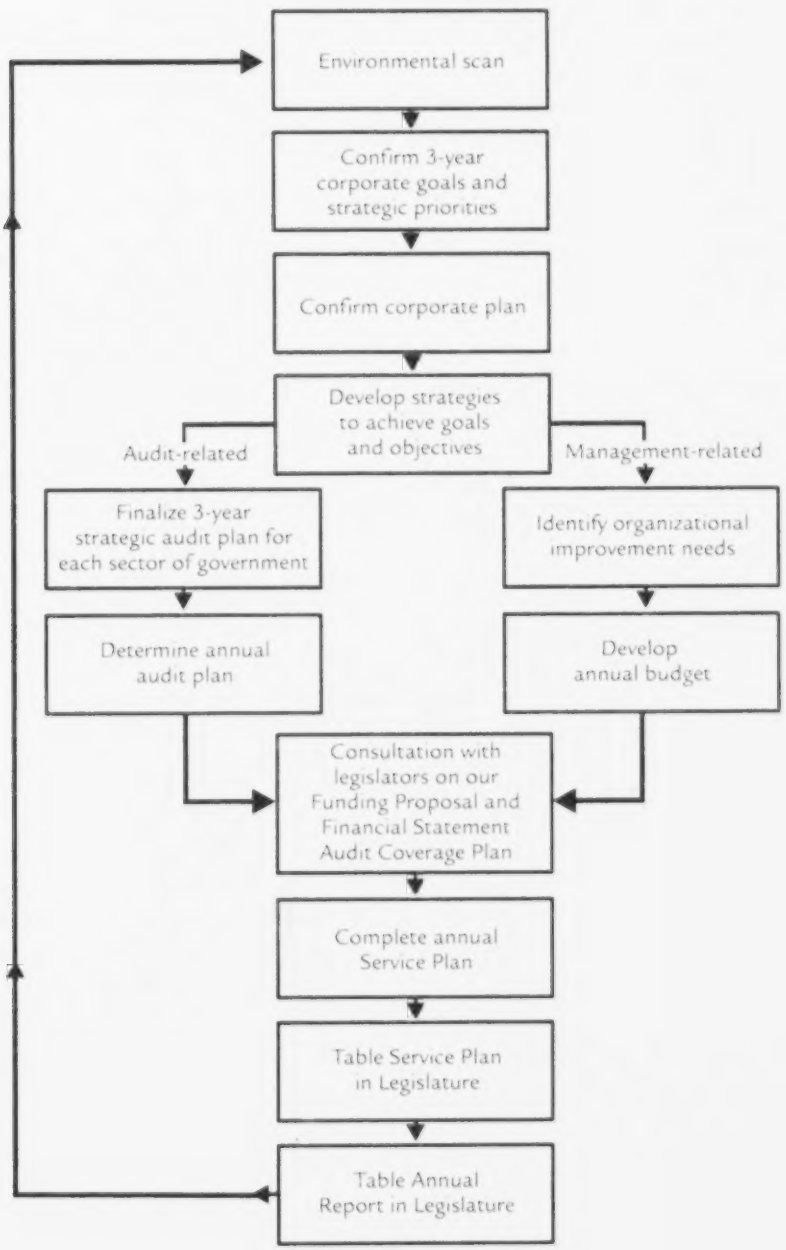
This Service Plan incorporates the Financial Statement Audit Coverage Plan and the Finance and Government Services Committee's funding recommendations, confirms our strategic direction and priorities, and outlines the work program for the next three years. The Annual Report, tabled at the end of June each year, completes this cycle by providing information about the Office's performance for the year, assessed against the Service Plan.

[1] Our Financial Statement Audit Coverage Plan and Our Strategic Direction and Funding Proposal (December 2003) are available at www.bcauditor.com.

The Funding, Planning and Reporting Cycle

Exhibit 2

Our Funding, Planning and Reporting Cycle


Environmental scan
Confirm 3-year corporate goals and strategic priorities
Confirm corporate plan
Develop strategies to achieve goals and objectives
Audit-related
Management-related
Finalize 3-year strategic audit plan for each sector of government
Identify organizational improvement needs
Determine annual audit plan
Develop annual budget
Consultation with legislators on our Funding Proposal and Financial Statement Audit Coverage Plan
Complete annual Service Plan
Table Service Plan in Legislature
Table Annual Report in Legislature

Responding to Our Environment

A number of recent and pending changes have affected the work of our Office.

Government continues to change

The government in British Columbia continues to change dramatically, both in what it chooses to do and how it chooses to do it. For example, some services that used to be provided across many organizations are now being delivered centrally through shared services arrangements. In other cases, services that used to be provided directly by the public service are now being provided by private or not-for-profit organizations. Alternative service delivery mechanisms and public-private partnerships are becoming more commonplace. These changes are occurring at a time of deregulation, a shift to results-focused management, difficult financial pressures, economic uncertainty and a reduction in the public service.

This combination of change and pressure puts the effective delivery of government programs at risk.

In light of all these risks, it is more important than ever that we continue to serve legislators and the public by providing them with assurance and advice on how government is managing its programs, services and initiatives. Our plan is to build our capacity and focus our efforts on assessing these new structures, management practices and delivery arrangements.

Government financial statement reporting has improved

Government is planning to adopt generally accepted accounting principles effective April 1, 2004. This will expand the scope of government's budget and Summary Financial Statements to include the full financial plans and results of over 170 provincial public sector organizations, almost 100 for the first time. As the auditor of the government's summary financial statements, we must ensure we have sufficient knowledge of the whole government reporting entity. We must also understand control environments, business practices and accounting issues of those organizations included in the Summary Financial Statements for which our Office is not the appointed auditor.

Professional standards are becoming more demanding

The professional standards that govern our work as auditors are becoming more rigorous. Recent North American business failures have shaken public confidence in financial reporting and auditing. To restore that confidence, the profession and others have moved to strengthen the rules that guide those who prepare financial statements and those who audit them. We intend to respond by incorporating these new and more demanding independence and performance standards into our due diligence practices.

Providing assurance on government performance reports requires building capacity

Through the Budget Transparency and Accountability Act, legislators require government to set out clearly what it plans to achieve and to report what it did achieve. Legislators, recognizing that such information must be reliable, have endorsed the principle that they receive independent audit assurance on the reliability of government performance information. Our challenge is to develop an appropriate methodology for providing this assurance and to work with private sector auditors to build capacity for carrying out such assurance work.

Responding to committee requests may affect other work planned

The new Auditor General Act allows for a standing committee of the Legislative Assembly to ask our Office to carry out specific examinations. This gives legislators a new means of initiating an independent scrutiny of government performance issues—issues that might be particularly time sensitive. When we receive such requests, we intend to investigate and report back to the requesting committee on the nature, scope and costs of an examination that could meet its information needs.

Although we welcome this new provision of the Act, we point out that the program we have outlined in this Service Plan and the corresponding funding do not include accommodating such requests. Were we to receive one, we plan to ask the requesting committee to provide additional funds to allow the work to be carried out.

Our Reporting Framework

This Service Plan describes our goals, objectives and strategies as an organization, as well as the performance measures and targets we plan to use to monitor and report on our performance. Exhibit 3 outlines the linkages between our strategic priorities and our vision and mission. Our vision is to make a difference for the people of British Columbia by helping to support accountable and well-performing government. We work to achieve this through our mission: providing independent assessment and advice that enhance government accountability and performance.

Both of our goals flow directly from our mission and mandate. Goal 1 is our ongoing and long-term goal, to ensure legislators and the public receive the best information possible for assessing the performance of government. To help us achieve this goal, we have identified three objectives:

- The financial statements of government fairly present financial performance.
- The annual reports of government fairly present organizational performance.
- Legislators are fully informed of the management of key risks associated with government programs and services.

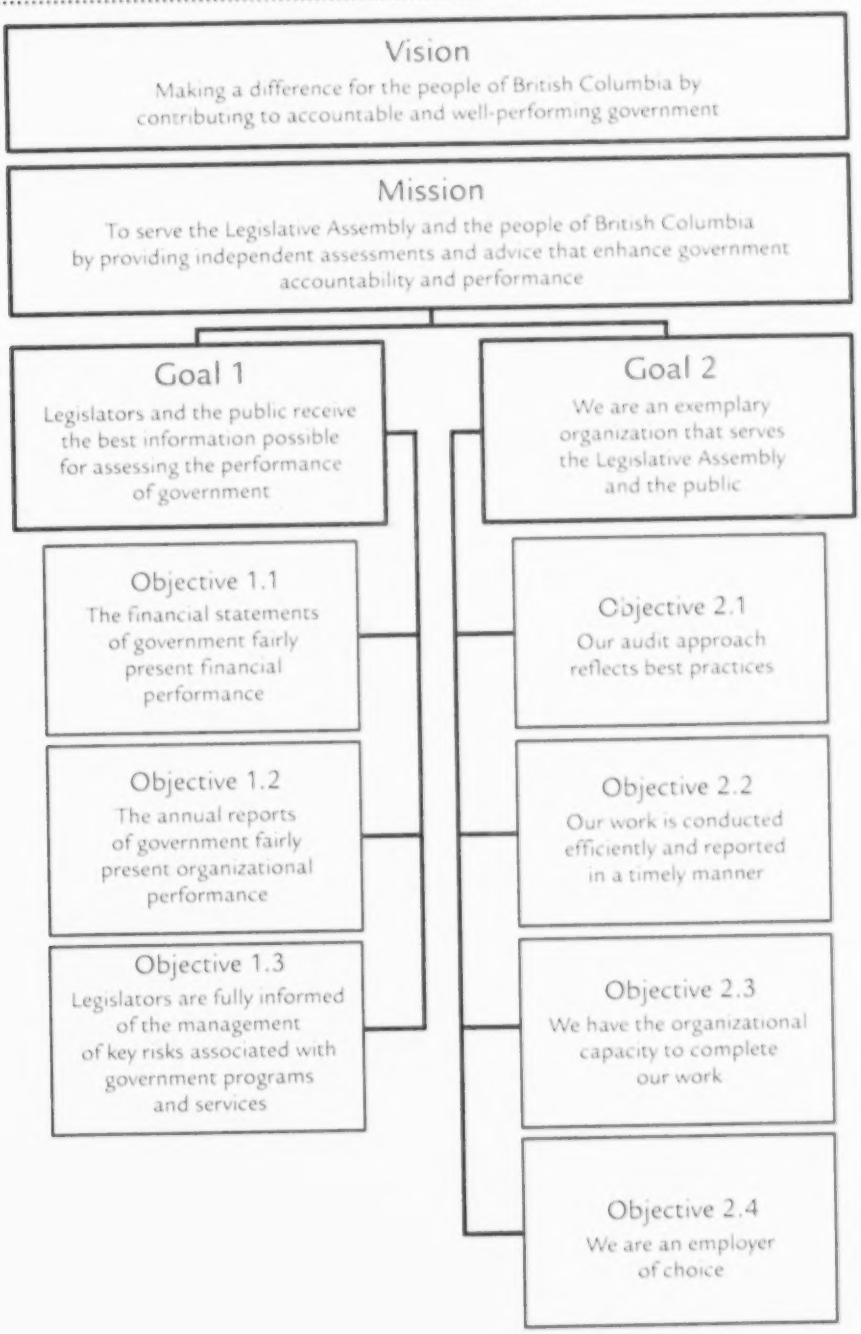
Goal 2—to be an exemplary organization—is something that we strive for everyday. We have four objectives to help us achieve this goal:

- Our audit approach reflects best practices.
- Our work is conducted efficiently and reported in a timely manner.
- We have the organizational capacity to complete our work.
- We are an employer of choice.

Our Reporting Framework

Exhibit 3

The Office Performance Reporting Framework


Vision
Making a difference for the people of British Columbia by contributing to accountable and well-performing government
Mission
To serve the Legislative Assembly and the people of British Columbia by providing independent assessments and advice that enhance government accountability and performance
Goal 1
Legislators and the public receive the best information possible for assessing the performance of government
Goal 2
We are an exemplary organization that serves the Legislative Assembly and the public
Objective 1.1
The financial statements of government fairly present financial performance
Objective 1.2
The annual reports of government fairly present organizational performance
Objective 1.3
Legislators are fully informed of the management of key risks associated with government programs and services
Objective 2.1
Our audit approach reflects best practices
Objective 2.2
Our work is conducted efficiently and reported in a timely manner
Objective 2.3
We have the organizational capacity to complete our work
Objective 2.4
We are an employer of choice

Our key risks

We have identified four key risks that need to be managed effectively if we are to achieve our goals and objectives.

1. Independence

We cannot be successful if we lose, or are perceived to lose, our independence.

The value of our Office is that we provide legislators, the public and government with independent assessments about the performance of government. If that independence is compromised, our value would be severely diminished. Accordingly, we devote considerable management attention to our independence.

The new Auditor General Act, established in April 2003, includes a number of provisions that help ensure our independence:

- The Auditor General is appointed by an all-party committee of the legislature for a six-year term that can be renewed one time only.
- The Auditor General is accountable to the Legislative Assembly, not to the government of the day.
- The Auditor General is funded from a committee of the Legislature rather than from government.
- The Auditor General's conclusions are presented directly to the Legislative Assembly.
- The Auditor General can ask the government for any information he needs to carry out the Office's mandate.
- The Auditor General has broad power to examine the range of matters that are of interest to legislators and the public, including whether government organizations or trust funds are operating efficiently and effectively.

The legislated governing bodies of the accounting and auditing profession have also introduced new professional standards which establish a systematic, principles-based framework for ensuring independence in each auditing engagement. The framework describes threats to independence, as well as safeguards that should exist to protect independence.

We are reviewing the adequacy of our current practices (as part of a broader initiative on quality control) to make certain appropriate mechanisms are in place to ensure our Office is, and is perceived to be, independent and impartial. This year we will be putting new policies into place to address such matters as the rotation of senior staff on audits.

2. Relevance

We cannot be successful if we do not adequately understand or respond to the information needs of our stakeholders.

We plan to maintain our relevance by continuing to monitor the external environment to ensure our work addresses the areas of greatest interest to our stakeholders. Our Office is organized by government sector, allowing us to develop a better understanding of government's key programs. To help us maintain our relevance in the health sector, for example, we have engaged a health advisory group. It is composed of individuals who are recognized for their extensive knowledge and understanding of critical issues within the sector. We meet with the group each year to discuss topical matters and obtain their advice on our work program.

Our relevance is also dependent on our understanding of the needs of our main client group, the legislators, and of our key stakeholders, the organizations we audit. We plan to meet one-on-one with a selection of legislators to ask them about our performance and to find out more about their assurance needs. We also intend to survey senior management of the organizations we audit about the quality and professionalism of our work, as well as their views on the relevance of our topics and the practicality of our recommendations.

3. Credibility

We cannot be successful if we provide inappropriate or incorrect assurance and advice. Our reputation is critical to our success. We know it can take years to build a reputation and only moments to lose it.

We manage this risk by maintaining the highest standards in our work. Our demanding quality control and assurance practices are designed to ensure that our audits are properly planned, staffed, conducted and reported, and that our audit findings are based on well-substantiated evidence.

To ensure our audits meet external assurance and documentation standards, all audit files are subject to thorough reviews. This ensures that the conclusions and opinions we express in our reports are accurate and supported by sufficient, appropriate evidence. We also have audit manuals that provide staff with policy and technical direction, contain procedures that reflect current best practice, and state clearly our expectations for the exercise of professional judgement.

Whenever we conduct a risk audit, we establish an advisory committee made up of external experts. Such a committee considers whether we have:

- identified the most critical areas for in-depth examination;
- selected a sound methodology and suitable criteria; and
- reported findings and conclusions that fairly present the facts and adequately supported.

4. Capacity

We cannot be successful if we do not have the required resources and competencies to carry out our mission.

The most important component of our capacity is our people. Salaries and benefits account for about 75% of our expenses. We need to carefully manage our human capital to ensure we are able to meet our goals and objectives. Reductions in our funding, a competitive marketplace and recent and upcoming retirements in key positions have the potential to impact the efficiency and effectiveness of our work. Over the next three years we intend to manage these risks to our capacity by:

- sharing resources and information with other legislative auditors through the Canadian Council of Legislative Auditors;
- directing our recruiting, performance management and professional development activities towards addressing gaps in Office competencies;
- surveying staff biennially to monitor the quality of the work environment and make changes, as necessary, to improve it;
- encouraging employees to participate in the Mentoring Program to expand corporate knowledge;
- continuing to support the Office Leadership Development Program to ensure we have staff who are ready to take on leadership roles in the future; and
- using the employee professional development plans to improve the effectiveness of our professional development and performance management practices.

A note about our performance measures and targets

Some of the measures identified in this year's Service Plan are new or changed slightly from last year. In preparing this Service Plan, we involved all staff in the development of our performance measures for two reasons: one, because we believe that our staff can provide great insight into how we can best measure our performance; and two, because we want to build commitment to achieving the targets that fall out from these measures. Managing for results requires a change in organizational culture—something that cannot be achieved in a professional office such as ours without involving staff in the process. However, as for any major change, we recognize that creating a more robust organization will take time to achieve.

The targets identified in this plan are, for the most part, based on best estimates of attainable performance. The precision and meaningfulness of our targets will improve as we gain experience in using these measures. To provide some context for the targets, we have included baseline results where possible.

Goal 1

Legislators and the public receive the best information possible for assessing the performance of government

Objective 1.1—The financial statements of government fairly present performance

Government managers have a significant incentive to ensure financial performance is fairly presented, as evidenced by unreserved financial statement audit opinions. We believe this gives legislators and the public confidence in government's financial representations.

Line of Business—Attesting to the financial statements of government

Strategies

- Assess the reliability and fairness of the government's Summary Financial Statements—the Public Accounts.
- Assess directly the reliability and fairness of the financial statements of a number of key organizations included in the government reporting entity, and oversee the audit by private sector firms of other government entities.
- Assess the soundness of the financial statement audit system.
- Assess the extent to which government is adopting best practices in financial reporting.
- Expand our involvement in the oversight of the financial reporting process.
- Continue to work with private firms to ensure appropriate audit coverage of all government's entities.
- Shift our financial statement audit program to focus on audits that will assist us in building our knowledge in particular sectors and on audits where the organizations are significant in terms of their size and impact on British Columbians.

Measure	Base	Targets		
	2003	2005	2006	2007
Percentage of government entities fully following generally accepted accounting principles (GAAP)	98%	100%	100%	100%

Explanation

Following GAAP will ensure government financial performance is fairly presented so that legislators and the public can rely on the information as it is reported. Although it is government's responsibility to ensure this happens, we play a role in advising government on its reporting decisions.

We know it will be difficult to achieve the 2005 target in particular, because this is the first year government will be required to follow GAAP.

Measure	Base	Targets		
	2003	2005	2006	2007
Percentage of audited organizations following best practices in financial statement reporting	Not available	Baseline established	To be determined	To be determined

Explanation

Following best practices in reporting will lead to more meaningful reporting and greater public confidence in the information being presented. We define "best practices" to mean reporting that goes beyond the minimum requirements of GAAP. Again, it is up to each organization to choose to follow best practices, but we will continue to advise them on what this means and measure their progress over time.

We have not established a target for this measure yet because we are still in the process of developing the methodology.

Measure	Base	Targets		
	2003	2005	2006	2007
Legislators believe in the value of the Auditor General's regular examination of government's financial statements	Not available	Baseline established	To be determined	To be determined

Explanation

We believe that our examination of government's financial statements gives legislators and the public confidence in government's finances.

We will establish a baseline this year and use this to inform our future targets.

Goal 1
Legislators and the public receive the best information possible for assessing the performance of government

Objective 1.2—The performance reports of government fairly present performance

Government is working to improve the quality of its reporting on overall performance, but considerable improvement is still needed. Eventually, we think an independent third party will be able to provide assurance for the whole performance report and not just the financial aspects. When this happens, legislators, interested stakeholders and the public will be able to assess government's performance with more confidence. While we believe it is too early to measure this outcome, we think a good interim plan is to measure overall improvement in the quality of performance reports, as well as legislators' perceptions of the value provided by this line of business.

Line of Business—Assessing the quality of government annual reports

Strategies

- Provide assurance on the annual reports of public sector organizations.
- Continue our work with the legislative audit community across Canada in providing assurance on government health performance reports.
- Report annually on the quality of government's performance reports.
- Continue to work with government to develop an assurance program for British Columbia and report our progress.
- Work with the CCAF and the Canadian Institute of Chartered Accountants (CICA) to develop national performance reporting principles and with our colleagues in the legislative audit community to develop a methodology for providing assurance on performance information.
- Continue to raise awareness of the value of good performance reporting.
- Through training and direct experience, further develop our capacity, and the capacity of other assurance providers, to assess performance reports.

Measure	Base	Targets		
	2003	2005	2006	2007
Percentage of annual reports that have reached fundamentals in place for:				
■ 1 reporting principle	15%	Not available	Not available	Not available
■ 2-4 reporting principles	5%			
■ 5-7 reporting principles	0%			

Explanation

This measure will track improvement in government's reporting over time. We believe that reaching fundamentals in place in our assessment matrix signifies the report has incorporated all of the most important elements of the key reporting principles.[2]

We have not established a target for this measure because we are currently working with government to develop an assurance program for British Columbia. When this program has been finalized, we will be in a better position to set performance targets.

Measure	Base	Targets		
	2003	2005	2006	2007
Legislators believe in the value of the Auditor General's efforts in the area of performance management and reporting	Not available	Baseline established	To be determined	To be determined

Explanation

This will measure legislator opinions of the impact of our efforts to encourage government to improve the quality of its performance reports.

We will establish a baseline this year and use this to inform our future targets.

Measure	Base	Targets		
	2003	2005	2006	2007
Legislators make use of government's performance reports in their deliberations or decision-making	Not available	Baseline established	To be determined	To be determined

Explanation

Ultimately, we believe that legislators will make use of government's performance reports, but we don't think this will happen to the extent possible until the quality of these reports reaches the stage where they provide a complete and accurate description of government's performance.

We have not established a target for this measure because we are currently working with government to develop an assurance program for British Columbia. Once this program has been finalized, we will be in a better position to set performance targets.

[2] For an understanding of the methodology we use to assess the quality of government's performance reports, see Building Better Reports: Our Methodology for Assessing the Annual Service Plan Reports of Government at www.bcauditor.com.

Goal 1
Legislators and the public receive the best information possible for assessing the performance of government

Objective 1.3—Legislators are fully informed of the management of key risks associated with government programs and services

For legislators to be fully informed about the management of key risks associated with government programs, our audit topics must be relevant and our reports informative and timely. We intend to measure each of these aspects. We also track the rate of acceptance of our recommendations by the Public Accounts Committee and the rate of implementation of our recommendations as a measure of the usefulness of our work.

Line of Business—Assessing the management of risk within government programs and services

Strategies

- Continue to monitor the environment of each government sector to ensure our audit program is relevant.
- Complete at least one examination of government's new delivery arrangements such as public-private partnerships.
- Continue to focus much of our attention on the risks in the health sector.
- Conduct audits that assess the state of various key aspects of the environment.
- Examine accountability and risk management for large capital projects and complex, mission-critical information systems.
- As ministries respond to the changes in their programs and make budget adjustments, focus our work on the management of related risks.
- Continue to assess whether basic financial management controls are sound.

Measure	Base	Targets		
	2003	2005	2006	2007
Legislators believe topics chosen by the Auditor General are relevant	Not available	Baseline established	To be determined	To be determined

Explanation

Focusing our efforts on relevant topics is critical to our effectiveness. Relevance is ensured where legislators believe our work meets their needs and addresses their priorities.

We will establish a baseline this year and use this to inform our future targets.

Measure	Base	Targets		
	2003	2005	2006	2007
Legislators believe in the value of our examinations of how risks are being managed	Not available	Baseline established	To be determined	To be determined

Explanation

Our reports inform legislators about how well government programs and services are being managed. We believe this information helps legislators in their work.

We will establish a baseline this year and use this to inform our future targets.

Measure	Base	Targets		
	2003	2005	2006	2007
Percentage of recommendations endorsed by the Public Accounts Committee (PAC)	100%	100%	100%	100%

Explanation

The Auditor General's reports are reviewed by the PAC, an all-party committee of the Legislature. Endorsement of our recommendations by the PAC is a key measure of the Legislature's support of the Office's work.

Measure	Base	Targets		
	2003	2005	2006	2007
Percentage of recommendations implemented	74%	75%	77%	79%

Explanation

The Auditor General's recommendations are normally directed at the management of organizations we assess. We follow up on our audits to determine the stage of implementation of our recommendations. Since it takes time to implement our recommendations, we will report on the percentage implemented of the recommendations we tabled two years previously.

Although we expect all of our recommendations to be implemented at the time we make them, our targets are less than 100% because we know there are valid reasons why some of them are not implemented within two years. In some cases, for example, the program or circumstances change so that the recommendation is no longer relevant, and in other cases our recommendations are more complex and take longer than two years to implement.

Goal 2

We are an exemplary organization serving the Legislative Assembly and the public

Objective 2.1—Our audit approach reflects best practices

Our work must meet the highest professional and ethical standards. We will monitor our success with this objective by seeking the opinions of key stakeholders external to the Office.

Line of Business—Corporate Services, Professional Practices

Strategies

- Conduct a self-assessment of how well we meet the new and more rigorous quality control standards established by the Canadian Institute of Chartered Accountants (CICA). We are committed to being 100% compliant with these standards by January 1, 2006. In 2004, we will complete a self-assessment of how we measure up to these new standards and then develop a plan to close any gaps we identify. In 2005, we will implement this plan. In 2006, we will invite an external reviewer to assess our compliance.
- Continue to work with other legislative audit offices to ensure we use best-practice audit methodologies and procedures for all our audit activities.
- Provide top quality training and support to audit staff and external audit service providers.
- Continually improve all aspects of our planning, field work and reporting practices.
- Continue to apply risk audit criteria to our own practices.

Measure	Base	Targets		
	2003	2005	2006	2007
Legislators believe information in the Office's reports is presented in an objective and unbiased manner	Not available	100%	100%	100%

Explanation

The credibility of the Auditor General is of critical importance. We maintain our credibility by preserving our independence and ensuring all work meets the highest standard.

Measure	Base	Targets		
	2003	2005	2006	2007
Audited organizations are satisfied with the way we conduct our work	Not available	Baseline established	To be determined	To be determined

Explanation

Our standards of service require us to approach our work in a fair and considerate way that ensures our findings and recommendations are sound and relevant.

We will establish a baseline this year and use this to inform our future targets.

Measure	Base	Targets		
	2003	2005	2006	2007
Level of compliance with CICA quality control standards	Not applicable	Self-assessment completed and new policies and practices developed	Changes implemented	100% Compliant

Explanation

Maintaining our credibility requires us to meet the highest standards in auditing. We intend to report on our progress in meeting the emerging standards developed by the CICA.

Goal 2

We are an exemplary organization serving the Legislative Assembly and the public

Objective 2.2 – Our work is conducted efficiently and reported in a timely manner

We must be, and be seen to be, financially and operationally accountable and transparent. We therefore track the relative allocation of resources between audit and support activities, and the charge-out rate of the workforce. As stated in our values, we are also committed to being efficient and timely, and will track our ability to meet this objective.

All Lines of Business

Strategies

- Continue to monitor the benchmarks we set for our administrative and audit practices and make improvements as necessary.
- Continue to review our current administrative processes and systems and introduce new ones, if necessary, to ensure we are as efficient as possible.
- Continue to conduct post-project reviews to identify opportunities for improvements in future projects.
- Continue to share services and expertise with other legislative officers where relevant, while still maintaining our independence.
- Further develop our intranet to manage our audit knowledge more efficiently.

Measure	Base	Targets		
	2003	2005	2006	2007
Percentage of projects completed on **time**:				
▪ Financial statement audits	75%	100%	100%	100%
▪ Performance reporting projects	n/a	85%	85%	90%
▪ Risk management projects	55%	70%	75%	75%

Explanation

The relevance of our work is related to the timeliness of our reporting. We define "on time" as meeting the timelines defined in the audit plan.

Our targets vary by line of business, reflecting the different management challenges they each present. Our risk projects are the most challenging to manage since each is unique and therefore hard to predict.

Measure	Base	Targets		
	2003	2005	2006	2007
Percentage of projects completed on **budget**:				
• Financial statement audits	60%	85%	90%	90%
• Performance reporting projects	n/a	85%	90%	90%
• Risk management projects	80%	85%	90%	90%

Explanation

Completing projects within budgets reflects effective use of resources. We define "on budget" as being within 5% of the estimated budget outlined in the audit plan.

Measure	Base	Targets		
	2003	2005	2006	2007
Percentage of our resources (measured in dollars) devoted to audit support	27%	26%	25%	25%

Explanation

Activities such as payroll, human resources, IT and administration are maintained at the minimum level required to properly support operations.

Measure	Base	Targets		
	2003	2005	2006	2007
Percentage of audit hours of operational staff charged against annual available hours	76%	79%	80%	80%

Explanation

This figure is measured as a percentage of total available hours, less vacation and other leave. As functions are streamlined, more time should be available for operational staff to perform their work.

Goal 2

We are an exemplary organization serving the Legislative Assembly and the public

Objective 2.3—We have the organizational capacity to complete our work

We must have the capacity, that is the knowledge, skills, resources and information systems we require to do our work competently and effectively. Key to this is a match between what competencies the Office needs and what employees have. We are still developing a measure to assess our progress in achieving this match. In the interim, we will continue to report on the completion of related initiatives and on our investment in professional development. As stated in our values, we are committed to supporting personal and professional development.

Line of Business—Corporate Services

Strategies

- Review our staff profile to ensure we have the right competencies for delivering our proposed work program.
- Continue to use Office competencies as a guide in all human resource management functions, including recruiting and the development of a professional development plan.
- Continue to support our Leadership Development Program to ensure we have a cadre of staff ready to take on leadership roles in the Office.
- Continue to focus on the implementation of learning and development programs for our staff that reflect the needs of the various positions.
- Expand performance management agreements to include all executive staff.

Measure	Base	Targets		
	2003	2005	2006	2007
Percentage of funding (salary and benefits only) invested in learning and professional development	5.0%	5.5%	6.0%	6.5%

Explanation

The Office is committed to investing in training and career development to ensure that we have the right people with the right talent. We believe our work is becoming more complex and therefore expect the need for learning and development to increase over the next three years.

Measure	Base	Targets		
	2003	2005	2006	2007
The degree of fit between our desired competencies and our actual competencies	Not available	Baseline established	To be determined	To be determined

Explanation

A high correlation between our ideal set of competencies and our existing competencies is desirable, although a 100% fit is not economically feasible as we can contract for a portion of the gap.

We have not established a target for this measure yet because we are still in the process of developing the methodology.

Goal 2

We are an exemplary organization serving the Legislative Assembly and the public

Objective 2.4—We are an employer of choice

Because we recognize the investments already made in current staff and the ongoing challenge to attract and retain high performers, our objective is to maintain our highly skilled workforce by being an exemplary employer. An important measure of our success in achieving this objective will be how well we can create and maintain a positive, motivating work environment.

All Lines of Business

Strategies

- Adhere to our corporate values in the way we behave towards our people.
- Continue to track our turnover and assess the reasons behind it. For instance, we conduct exit surveys of all regular staff who choose to leave the Office.
- Continue to measure, through our biennial work environment survey, the extent to which we have lived up to the Office values.

Measure	Base	Targets		
	2003	2005	2006	2007
Work environment engagement score	70%	73%	No survey	76%

Explanation

Engaged employees are productive and innovative and they take ownership of results. This creates and sustains a high performing organization. The engagement score is a compendium of key responses in the biennual work environment survey we conduct, and acts as an indicator of the overall level of employee engagement with the Office and its work.

Our Financial Plan

Funding
($ Millions)

	Actual		Forecast	Planned		
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Source of funding						
Appropriation[1]	7.90	8.36	7.90	7.10	8.90	9.40
Recoveries[2]	1.79	2.01	2.10	2.30	2.30	2.30
Total funding	9.69	10.37	10.00	9.40	11.20	11.70
Funding used						
Salaries and benefits	6.54	7.06	7.07	6.60	7.67	7.90
Professional services	0.96	0.93	1.16	0.92	1.58	1.79
Support	0.88	1.07	1.02	1.21	1.15	1.18
Rent and depreciation	0.64	0.64	0.65	0.68	0.80	0.83
Total funding used	9.02	9.69	9.90	9.40	11.20	11.70
Funding returned	**0.67**	**0.68**	**0.10**	-	-	-
Capital spending						
Authorized	0.21	0.19	0.19	0.20	0.20	0.20
Used	0.20	0.18	0.13	0.20	0.20	0.20
Contingency	-	-	-	-	0.50	0.50

Notes

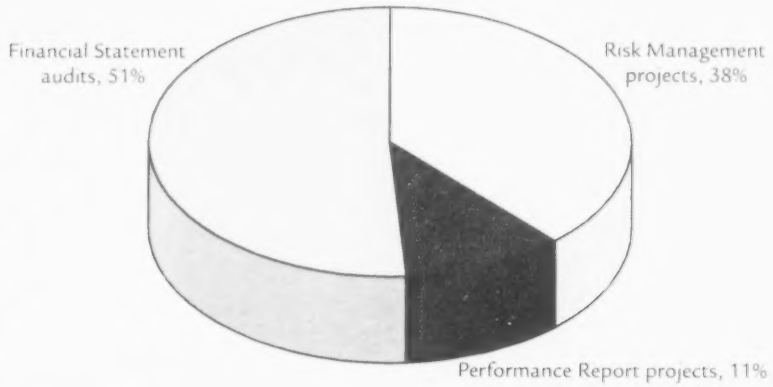
1. An appropriation funds our costs of attesting to the reliability of the government's summary financial statements, of assessing the quality of government service plan reports and of examining how well government manages its key risks. During 2003-2004, the Select Standing Committee on Finance and Government Services recommended to the Legislative Assembly that our appropriation for 2004-2005 be reduced by 10%. This Service Plan reflects that recommendation. The committee also advised us to expect the same appropriation for 2005-2006 and 2006-2007. In this schedule, we show what we proposed to the committee for both of those years. In November of 2004, we plan to prepare a new funding proposal for consideration by the committee.
2. Revenue from recoveries funds our work done on a fee-for-service basis, with rates set to recover costs. This work primarily relates to financial statement examinations carried out with the agreement of governing boards of individual government-related organizations. On November 13, 2003, the Select Standing Committee on Public Accounts approved this work.

Our Resources by Line of Business

Exhibits 4 and 5 show the overall proportion of operational resources we plan to devote to our three lines of business. As stated earlier in "Our Lines of Business," we expect to devote about 50% of our audit resources to financial statements audits, 40% to risk projects and 10% to our performance report projects in 2004/05. Our longer-term objective is for an allocation of 40–40–20, respectively.

Exhibit 4

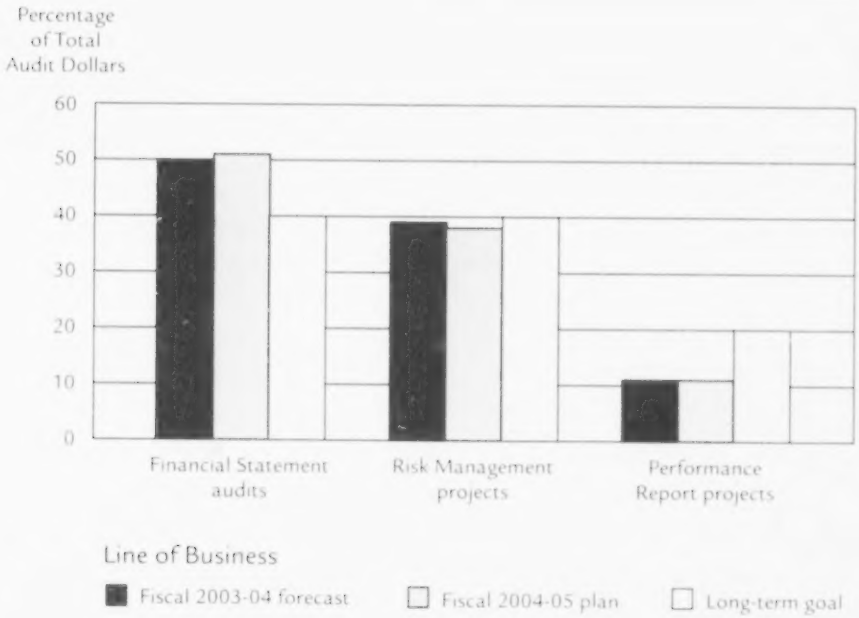
Distribution of fiscal 2004/05 assurance and advisory funding by line of business



Our Resources by Line of Business

Exhibit 5

Distribution of fiscal 2004/05 assurance and advisory funding by line of business



Appendix A—Our Standards of Service

The Office of the Auditor General is committed to the following standards of service:

Approaching Our Work in a Fair and Constructive Way

We will audit matters that are of significance and interest to those who rely on our work

We will be impartial and objective in conducting our audits

We will judge government accountability information and performance against reasonable expectations

We will base our assessments on the accountability principles or performance standards used by government where these are judged to be appropriate

We will attest to the fairness and reliability of accountability information provided publicly by government where that information is available and complete

We will conduct our audits in a way that enables us to provide positive assessments where warranted and will report the reasons for our reservations where we are unable to provide positive assessments

We will offer sound, practical recommendations for improving performance

We will issue our audit reports on a timely basis

Providing Accurate, Reliable Assessments and Sound Advice

We will conduct our audits in accordance with professional auditing standards using sound auditing methodologies and techniques

We will conduct our audits using personnel having the knowledge and competence required for the audit, including a thorough understanding of the type of organization and operations under review

We will provide reliable, evidence-based assessments and advice, ensuring our audit criteria or performance standards, findings and conclusions, and advice for improvement are well-founded and supported

We will report all matters of significance to those who rely on our work

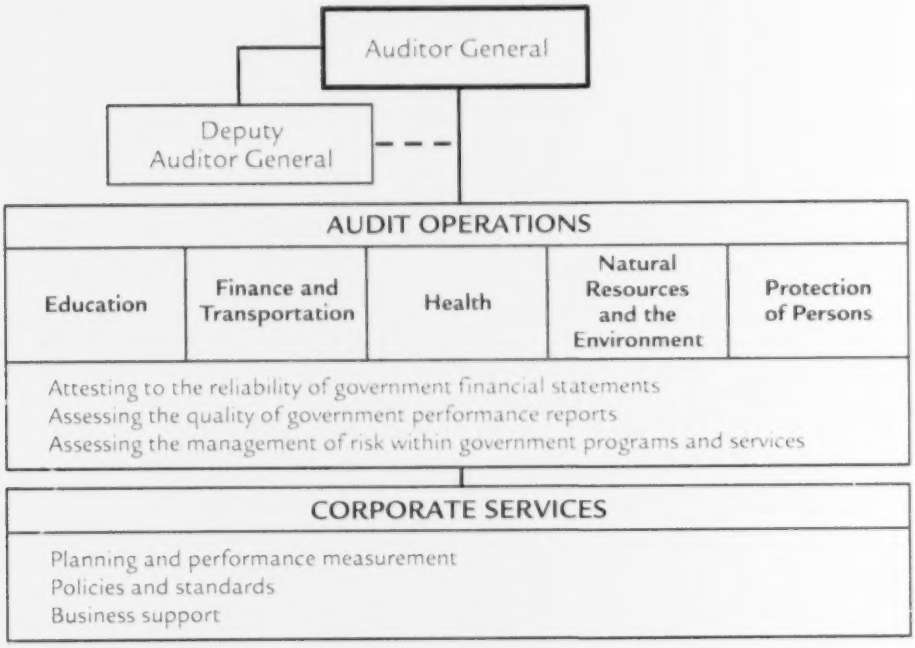
We will subject our audit reports, work and methodologies to rigorous quality assurance processes

Appendix B—Structure of Our Office

As shown in Exhibit B.1, our Office has five operating sectors and one Corporate Services sector.

Exhibit B.1

Operations structure in the Office of the Auditor General of British Columbia

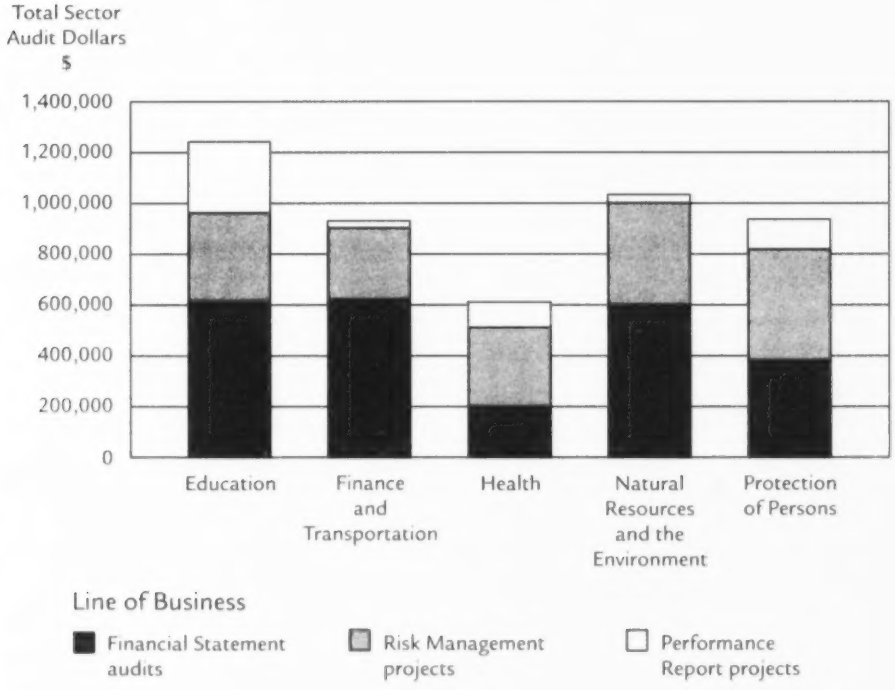


Appendix B—Structure of Our Office

Exhibit B.2 shows the relative allocation of resources between our audit sectors and the distribution of resources between lines of business within each sector. The base allocation to each of the five operational sectors is approximately equal. Incremental funding is added to this for targeted office-wide activities. For instance, the Protection sector also has responsibility for IT audits and the Education sector has responsibility for accountability initiatives. Allocations within individual sectors are based on priorities and risks assessed in each area.

Exhibit B.2

Distribution of planned fiscal 2004/05 audit dollars by sector and line of business



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